

SUPERIORLAND LIBRARY COOPERATIVE

**FINANCIAL STATEMENTS AS OF
September 30, 2008**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

Superiorland Library Cooperative
Board of Directors
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of Superiorland Library Cooperative as of and for the year ended September 30, 2008, which collectively comprise the Superiorland Library Cooperative's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Superiorland Library Cooperative's management. Our responsibility is to express opinions on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Superiorland Library Cooperative as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2009, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of Superiorland Library Cooperative

Board of Directors
Marquette, Michigan 49855

measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Superiorland Library Cooperative's basic financial statements. The individual fund financial statements listed as Other Supplemental Financial Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Required Supplemental Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 27, 2009

Superiorland Library Cooperative MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Superiorland Library Cooperative's financial performance provides an overview of the Cooperative's financial activities for the year ended September 30, 2008. Please read it in conjunction with the financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the Cooperative as a whole were reported at \$315,656. Net assets are comprised of 100% governmental activities. This represents a decrease of \$72,822 from prior year when net assets were reported at \$388,478.
- During the year, the Cooperative's total expenses were \$576,746, while revenues from all sources totaled \$503,924 resulting in a decrease in net assets of \$72,822.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 11) provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative finances.

Reporting the Cooperative as a Whole

One of the most important questions asked about the Cooperative's finances is "Is the Cooperative as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Cooperative as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Cooperative's *net assets* and changes in them. You can think of the Cooperative's net assets - the difference between assets and liabilities - as one way to measure the Cooperative's financial health, or *financial position*. Over time, *increases or decreases* in the Cooperative's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Cooperative's operating base and the condition of the Cooperative's capital assets, to assess the *overall financial health* of the Cooperative.

In the Statement of Net Assets and the Statement of Activities, we report all of the Cooperative's activities as governmental activities. Federal and State grants along with contracted revenues finance most of these activities.

Reporting the Cooperative's Most Significant Funds

The Cooperative only reports one fund which is the General Fund. The fund financial statements are reported in combination with the government-wide financial statements beginning on page 9. The General Fund, a governmental fund, is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Cooperative's general government operations and the basic services it

Superiorland Library Cooperative
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Cooperative's program.

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliations which follows each of the Statement of Net Assets and Statement of Activities.

Superiorland Library Cooperative as a Whole

Table I provides a summary of the Cooperative's net assets as of September 30, 2008 and 2007.

Table 1
Net Assets

	2008	2007
Current and other assets	\$357,820	\$334,187
Capital assets, net	4,095	98,829
Total Assets	361,915	433,016
Current liabilities	(14)	(13)
Noncurrent liabilities	46,273	44,551
Total Liabilities	46,259	44,538
Net Assets:		
Invested in capital assets	4,095	98,829
Restricted	17,420	16,793
Unrestricted	294,141	272,856
Total Net Assets	\$315,656	\$388,478

Net assets of the Cooperative's governmental activities stood at \$315,656. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$294,141.

The \$294,141 in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Cooperative as a whole are reported in the Statement of Activities (See Table 2), which shows the changes in net assets for fiscal year 2008 and 2007.

Table 2
Changes in Net Assets

	2008	2007
Program revenues:		
Charges for services	\$160,517	\$156,489
Operating grants and contributions	94,069	107,362
General revenues:		
Sources not restricted to specific program	332,958	342,373
Interest earnings	11,727	11,785
Gain (Loss) on sale of capital assets	(97,924)	-

Superiorland Library Cooperative
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	2008	2007
Miscellaneous	\$2,577	\$4,297
Total Revenues	503,924	622,306
Program Expenses:		
Library services	460,481	519,450
Capital outlay	116,265	92,955
Total Expenses	576,746	612,405
Change in net assets	(72,822)	9,901
Net assets, beginning	388,478	378,577
Net Assets, Ending	\$315,656	\$388,478

The Cooperative's total revenues were \$503,924. The total cost of all programs and services was \$576,746 resulting in a decrease in net assets of \$72,822 as a result of fiscal year 2008 operations. This decrease in net assets was mostly due to a divestiture of net assets to the Northern Michigan Library Network.

SUPERIORLAND LIBRARY COOPERATIVE'S FUNDS

As the Cooperative completed the year, its General Fund, the only governmental fund, reported a fund balance of \$357,834 with an increase of \$23,634 from the beginning of the year. This increase was mainly the result of reduced expenditures due to a temporary reduction of one full-time staff position to part-time.

General Fund Budgetary Highlights

The Cooperative's Board adopted the fiscal year 2008 general fund budget in September 2007 and the budget was amended as required throughout the year. The final projected revenues were \$604,948 and projected expenditures were \$604,907, resulting in an anticipated increase in the fund balance of \$41. The actual change in fund balance for the year was a positive \$23,634 as a result of reduced expenditures due to a temporary reduction of on full-time staff position and elimination of participation in statewide delivery.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008, the Cooperative had \$4,095 invested in equipment. (See table 3 below)

Table 3
Capital Assets at Year-End

	2008	2007
Land	\$-	\$41,500
Furniture & fixtures	4,164	106,228
Buildings and improvements	-	78,000
	4,164	225,728
Accumulated depreciation	69	(126,899)
	\$4,095	\$98,829

Superiorland Library Cooperative
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

The Cooperative has no outstanding debt at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for next year, the Board anticipates increased revenues from the addition of new member libraries. The Board has projected a budget with projected revenues of \$596,515 and projected expenses of \$589,238 resulting in an anticipated positive change in fund balance of \$7,277.

CONTACTING THE COOPERATIVE FINANCIAL MANAGEMENT

This financial report is designated to provide our customers, investors and creditors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cooperative Administrator at Superiorland Library Cooperative, 1615 Presque Isle Avenue, Marquette, Michigan 49855

SUPERIORLAND LIBRARY COOPERATIVE
Statement of Net Assets and
Governmental Funds Balance Sheet
September 30, 2008

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 328,848	\$ -	\$ 328,848
Accounts receivable	25,649	-	25,649
Other assets	3,323	-	3,323
Land	-	-	-
Capital assets	-	4,164	4,164
Accumulated depreciation	-	(69)	(69)
TOTAL ASSETS	\$ 357,820	4,095	361,915

LIABILITIES

Accounts payable	\$ (14)	-	(14)
Due to members	-	-	-
Deferred revenue	-	-	-
Long-term liabilities:			
Accrued personal time off	-	46,273	46,273
TOTAL LIABILITIES	(14)	46,273	46,259

FUND BALANCE/NET ASSETS

Fund Balance:

Reserved - Lilja Memorial Library Fund	17,420	(17,420)	-
Designated - Personal time off	46,273	(46,273)	-
Unreserved and undesignated	294,141	(294,141)	-
TOTAL FUND BALANCE	357,834	(357,834)	-

TOTAL LIABILITIES AND FUND BALANCE **\$ 357,820**

Net Assets:

Invested in capital assets, net of related debt	4,095	4,095
Restricted	17,420	17,420
Unrestricted	294,141	294,141

TOTAL NET ASSETS **\$ 315,656** **\$ 315,656**

The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

Total Fund Balances for Governmental Funds	\$	357,834
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Cost of capital assets	\$	4,164	
Accumulated depreciation		<u>(69)</u>	
			4,095

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of
accrued personal time off.

(46,273)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

	\$	<u>315,656</u>
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The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE
Statement of Activities and
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance
For the year ended September 30, 2008

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Library services	\$ 457,785	\$ 2,696	\$ 460,481
Capital outlay	4,164	(4,164)	-
PAC Hardware Upgrade Grant	116,265	-	116,265
	<u>578,214</u>	<u>-1,468</u>	<u>576,746</u>
Total Expenditures/Expenses			
Program Revenues:			
Charges for services	160,517	-	160,517
Operating grants and contributions	94,069	-	94,069
	<u>254,586</u>	<u>-</u>	<u>254,586</u>
Total Program Revenues			
Net Program Expense			<u>322,160</u>
General Revenues:			
State grants - unrestricted	214,508	-	214,508
Private Foundation - Gates	118,450	-	118,450
Interest income	11,727	-	11,727
Gain (Loss) on sale of capital assets	-	(97,924)	(97,924)
Miscellaneous	2,577	-	2,577
	<u>347,262</u>	<u>(97,924)</u>	<u>249,338</u>
Total General Revenues			
Excess of Revenues over Expenditures	23,634	(23,634)	-
Change in Net Assets		(25,102)	(72,822)
Fund Balance/Net Assets:			
Beginning of the year	<u>334,200</u>	<u>(16,427)</u>	<u>388,478</u>
End of the year	<u>\$ 357,834</u>	<u>\$ (65,163)</u>	<u>\$ 315,656</u>

The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the year ended September 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	23,634
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$ 974	
Capital outlays	(4,164)	3,190

Loss on sale of capital assets		(97,924)
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Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(1,722)

Change in Net Assets of Governmental Activities

	\$	(72,822)
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The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The operations of the Superiorland Library Cooperative (the Cooperative) are accounted for with a separate set of self-balancing accounts. The accounting policies of the Cooperative conform to generally accepted accounting principles as applicable to governments and the following is a summary of the more significant policies:

BASIS OF PRESENTATION

During the year the Cooperative adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Cooperative as a whole. They include all governmental activities which are generally financed through State sources, charges for services, and other revenues. Equity is classified as net assets and displayed in three components – invested in capital assets, restricted, and unrestricted.

Fund Financial Statements:

The accounts of the Cooperative are organized on the basis of funds. The operations of the Cooperative's only fund, the General Fund, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The General Fund is a governmental fund and it is used to account for all financial resources of the Cooperative.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. The General Fund governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable resources at the end of the period.
- b. The government-wide statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Government –wide fund equity is classified as net assets.

Basis of Accounting:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Cash and Equivalents

The Cooperative’s cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The Cooperative defines capital assets as assets with an initial, individual cost of more than \$1,000.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Equipment	3 – 20 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

Compensated Absences

The Cooperative's policies regarding compensated absences permits employees to accumulate earned but unused personal time off. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Revenues

In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Cooperative's policy to use the restricted resources first.

Expenses/Expenditures

In the government-wide Statement of Activities, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations and capital outlay.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – REVENUES:

The Superiorland Library Cooperative receives its revenues from Federal and State governments in the form of grants-in-aid. The Cooperative also received State support for local member libraries based on population and square miles of areas covered.

NOTE C – DEFINED BENEFIT PENSION PLAN:

Plan Description

The Superiorland Library Cooperative's defined benefit pension plan, the Michigan Municipal Employees Retirement System ("System"), provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. The system, an agent multiple-employer public employee retirement system acts as a common investment and administrative agent for all Michigan municipal employees.

Funding Policy

System members are required to contribute 4.7% of their annual compensation. The Superiorland Library Cooperative is required to contribute at an actuarially determined rate; the current rate is 0.00% of annual covered payroll as a result of assets exceeding accrued liabilities. The contribution requirements of plan members are set by the Superiorland Library Cooperative. The Superiorland Library Cooperative's contribution requirements are established and may be amended by the Michigan Municipal Employee Retirement System's Retirement Board.

Annual Pension Cost

For 2008, 2007 and 2006, the Superiorland Library Cooperative's annual pension cost of \$10,367, \$4,711 and \$5,634 respectively, for the system was equal to the Superiorland Library Cooperative's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8% investment rate of return (net of expenses) and (b) projected salary increases of 4.5% to 8.4% per year. The negative unfunded accrued liability is amortized (spread) over 10 years, and used to reduce the employer contribution rate.

Three-Year Trend Information for the System

The three-year trend information was not provided by the actuary.

REQUIRED SUPPLEMENTARY INFORMATION Schedule of Funding Progress for the System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actual Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/99	\$367,328	\$237,745	\$(129,583)	154 %	\$116,263	0%
12/31/00	409,733	277,517	(132,216)	148 %	119,688	0%
12/31/01	449,812	428,473	(21,339)	105 %	99,240	0%
12/31/02	474,644	456,365	(18,279)	104 %	100,773	0%
12/31/03	522,293	482,591	(39,702)	108 %	101,472	0%

NOTE C – DEFINED BENEFIT PENSION PLAN (Continued):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actual Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$568,503	\$497,420	\$(71,083)	114 %	\$104,794	0%
12/31/05	613,752	535,691	(78,061)	115%	108,813	0%
12/31/06	670,339	573,502	(96,837)	117%	112,275	0%
12/31/07	731,884	611,455	(120,429)	120%	115,767	0%

NOTE D – ACCRUED PERSONAL TIME OFF:

The entity records on the government-wide Statement of Net Assets the accrued liability arising from accumulated vested personal time off which is payable to entity employees when they separate from employment. The employees are compensated for personal time off on a scale based on years of service with the Cooperative. The entity's personal time off policy provides for up to one-half of an employee's accumulated personal time off hours to be paid to the employee if they have worked with the entity for at least 8 years. For employees with less than 8 years of service, personal time off payable upon separation ranges from 10%-40% depending on the number of years employed with the Cooperative. The non-current portion of accumulated personal time off payable as of September 30, 2008 and 2007 is as follows:

	2008	2007
Personal time off	\$46,273	\$44,551

NOTE E – DEPOSITS AND INVESTMENTS:

The Cooperative's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Checking accounts	\$22,800
Savings accounts	100,783
Certificates of deposit	205,265
Total	<u>\$328,848</u>

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned. State law does not require and the Cooperative does not have a policy for deposit custodial credit risk. As of September 30, 2008 the Cooperative has no uninsured deposits.

NOTE F – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2008 is as follows:

	Balance 9-30-07	Additions	Retirements	Balance 9-30-08
Asset Cost:				
Land	\$41,500	\$-	\$(41,500)	\$-
Buildings and improvements	78,000	-	(78,000)	-
Furniture and fixtures	106,228	4,164	(106,228)	4,164
Total Asset Cost	225,728	4,164	(225,728)	4,164
Accumulated Depreciation:				
Buildings and improvements	(26,840)	(325)	27,165	-
Furniture and fixtures	(100,059)	(649)	100,639	(69)
Total Accumulated Depreciation	(126,899)	(974)	127,804	-
Net Capital Assets	\$98,829	\$3,190	\$(97,924)	\$4,095

Depreciation expense charged to governmental activities was \$974.

NOTE G – DEFERRED COMPENSATION PLAN:

The Superiorland Library Cooperative offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries. The plan's participants have the right to designate how the funds will be invested. Therefore, the Cooperative has no liability for losses under the plans.

NOTE H – BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated. However, in determining a violation, consideration is given to materiality and to whether Superiorland Library Cooperative has reasonable procedures in use to detect such violations. In the body of the financial statements, Superiorland Library Cooperative's actual expenditures and budgeted expenditures have been shown on line item level.

The following line items had excess expenditures over appropriations at September 30, 2008:

<u>Line Item</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Life insurance	\$ -	\$ 210	\$ 210

NOTE I – JOINTLY GOVERNED ORGANIZATION:

On March 21, 2008, Superiorland Library Cooperative joined with the Peter White Public Library Board, the Dickinson Country Library, and the West Iron District Library to establish an agreement for the ownership and management of property in order to ensure the central location and continued operation of a shared automation system, technical support, and training services for member libraries. Through this agreement the member libraries established, under Public Act 7 of 1967, a separate legal entity named the Northern Michigan Library Network which shall not be operated for profit and no portion of Northern Michigan Library Network's earnings shall inure to the benefit of the member libraries.

Northern Michigan Library Network is governed by a board consisting of seven members of which two (2) board members are appointed by Superiorland Library Cooperative, two (2) board members are appointed by the Peter White Public Library Board, two (2) board members are appointed by the Dickinson County Library, and one (1) board member is appointed by the West Iron District Library.

Upon establishment of the Northern Michigan Library Network on March 21, 2008, Superiorland Library Cooperative sold all of its capital assets consisting of land, building, and equipment with a net book value of \$97,924 to Northern Michigan Library Network for one dollar (\$1).

NOTE J – OPERATING LEASE COMMITMENTS:

Superiorland Library Cooperative has a triple net lease with Northern Michigan Library Network, a jointly governed organization, to lease a building. Future minimum rental commitments for the lease as of September 30, 2008 are as follows:

<u>Year</u>	<u>General Fund</u>
2009	\$1
2010	1
2011	1
2012	1
2013	1
2014-2018	5
2019-2023	5
2024-2028	5
Total Future Minimum Lease Payments	<u>\$20</u>

***REQUIRED SUPPLEMENTAL
INFORMATION***

SUPERIORLAND LIBRARY COOPERATIVE
Governmental Fund Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended September 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants - local unit membership	59,706	87,279	85,987	(1,292)
State grants	140,711	213,602	214,508	906
Private Foundation grant	-	118,450	118,450	-
Interest income	10,600	10,600	11,727	1,127
Contracted service revenue	161,450	169,612	160,517	(9,095)
Donations	3,500	3,500	8,082	4,582
Miscellaneous revenue	1,905	1,905	2,577	672
TOTAL REVENUES	<u>377,872</u>	<u>604,948</u>	<u>601,848</u>	<u>(3,100)</u>
EXPENDITURES:				
Personnel services	225,737	252,208	230,524	21,684
Employees Welfare and Benefits:				
Social security	17,268	19,293	16,336	2,957
Hospitalization insurance	62,214	67,823	62,650	5,173
Life insurance	-	-	210	(210)
Unemployment compensation	918	918	344	574
Retirement	10,310	11,060	10,367	693
125K Flex benefits	550	550	281	269
Utilities	4,800	4,800	4,660	140
Professional and contractual	63,263	95,415	91,153	4,262
Communication	3,000	3,000	2,482	518
Conferences/workshops	2,800	2,800	5,657	(2,857)
Transportation	4,750	4,750	7,506	(2,756)
Printing and publishing	1,500	1,500	1,379	121
Insurance and bonds	4,000	4,000	3,737	263
Maintenance	6,440	6,440	10,667	(4,227)
Membership Fees	700	700	807	(107)
Subscriptions	2,000	2,300	2,632	(332)
Office supplies	4,500	4,500	6,367	(1,867)
Capital Outlay:				
Equipment and furniture	3,800	3,800	4,164	(364)
PAC Hardware Upgrade Grant	-	118,450	116,265 *	2,185
Interest	600	600	26	574
TOTAL EXPENDITURES	<u>419,150</u>	<u>604,907</u>	<u>578,214</u>	<u>26,693</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(41,278)</u>	<u>41</u>	<u>23,634</u>	<u>23,593</u>
FUND BALANCE - beginning of year	334,200	334,200	334,200	-
FUND BALANCE - end of year	<u>\$ 292,922</u>	<u>\$ 334,241</u>	<u>\$ 357,834</u>	<u>\$ 23,593</u>

* As a condition of the grant agreement, the \$2,185 administration fee was classified as personnel services

OTHER FINANCIAL INFORMATION

SUPERIORLAND LIBRARY COOPERATIVE
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the year ended September 30, 2008

	Designated - Library For Blind and Physically Handicapped	Designated - Lilja Memorial Library Fund	Designated - PTO	Unreserved - General	Totals
REVENUES:					
Federal grants	\$ -	\$ -	\$ -	\$ -	-
State grants - local unit membership	-	-	-	85,987	85,987
State grants	42,083	-	-	172,425	214,508
Private Foundation grant	-	-	-	118,450	118,450
Interest income	-	653	-	11,074	11,727
Contracted service revenue	-	-	-	160,517	160,517
Donations	8,082	-	-	-	8,082
Miscellaneous revenue	1,550	-	-	1,027	2,577
TOTAL REVENUES	51,715	653	-	549,480	601,848
EXPENDITURES:					
Personnel services	32,992	-	-	197,532	230,524
Employees Welfare and Benefits:					
Social security	2,232	-	-	14,104	16,336
Hospitalization insurance	16,255	-	-	46,395	62,650
Life insurance	56	-	-	154	210
Unemployment compensation	64	-	-	280	344
Retirement	1,385	-	-	8,982	10,367
125K Flex benefits	16	-	-	265	281
Operating supplies	289	-	-	6,078	6,367
Utilities	-	-	-	4,660	4,660
Professional and contractual	500	-	-	90,653	91,153
Communication	880	-	-	1,602	2,482
Conferences/workshops	-	-	-	5,657	5,657
Transportation	97	-	-	7,409	7,506
Printing and publishing	1,379	-	-	-	1,379

	Designated - Library For Blind and Physically Handicapped	Designated - Lilja Memorial Library Fund	Designated - PTO	Unreserved - General	Totals
EXPENDITURES (Continued):					
Insurance and bonds	\$ -	\$ -	\$ -	3,737	\$ 3,737
Maintenance	-	-	-	10,667	10,667
Membership Fees	-	-	-	807	807
Subscriptions	-	-	-	2,632	2,632
Capital Outlay:					
Equipment and furniture	-	-	-	4,164	4,164
PAC Hardware Upgrade Grant	-	-	-	116,265	116,265
Interest	-	26	-	-	26
TOTAL EXPENDITURES	56,145	26	-	522,043	578,214
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(4,430)	627	-	27,437	23,634
OTHER FINANCING SOURCES (USES):					
Transfers in	4,430	-	1,722	-	6,152
Transfers out	-	-	-	(6,152)	(6,152)
TOTAL OTHER FINANCING SOURCES (USES)	4,430	-	1,722	(6,152)	-
CHANGE IN FUND BALANCES	-	627	1,722	21,285	23,634
Fund balances, beginning of year	-	16,793	44,551	272,856	334,200
FUND BALANCES, END OF YEAR	\$ -	\$ 17,420	\$ 46,273	\$ 294,141	\$ 357,834



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Superiorland Library Cooperative
Board of Directors
Marquette, Michigan

We have audited the financial statements of the governmental activities and each major fund of Superiorland Library Cooperative as of and for the year ended September 30, 2008, which collectively comprise the Superiorland Library Cooperative's basic financial statements and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Superiorland Library Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Superiorland Library Cooperative's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Superiorland Library Cooperative's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Superiorland Library Cooperative's financial statements that is more than inconsequential will not be prevented or detected by the Superiorland Library Cooperative's internal control. We consider the deficiencies described in a separate letter to management

Superiorland Library Cooperative
Board of Directors
Marquette, Michigan

dated January 29, 2008 to be significant deficiencies in internal control over financial reporting item (08-01).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Superiorland Library Cooperative's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies describe above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Superiorland Library Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 08-02.

Superiorland Library Cooperative's response to the findings identified in our audit is described in the accompanying Report to Management letter. We did not audit Superiorland Library Cooperative's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, the Board and other federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 27, 2009



ANDERSON, TACKMAN & COMPANY, P.L.C.

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Superiorland Library Cooperative
Report to Management Letter
For the Year Ended September 30, 2008

Superiorland Library Cooperative
Executive Board
Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Superiorland Library Cooperative, Inc. as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Superiorland Library Cooperative Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

08-01 SEGREGATION OF DUTIES (REPEAT):

Condition/Criteria: The size of the Organization's accounting and administrative staff precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

08-01 SEGREGATION OF DUTIES (Continued)

Effect: The segregation of duties is less than optimal due to the size of the organization and could allow for a misstatement to be overlooked by management.

Cause of Condition: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Recommendation: These control deficiencies can be overcome by reviewing major account reconciliations, involvement in certain cycles of operation, and financial oversight of the Organization's financial affairs by the Executive Board.

Management Response-Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Suzanne Dees, Director
- Corrective Action Planned:
 - Superiorland Library Cooperative plans to have the Executive Board closely review the monthly activity.

INSTANCE OF NONCOMPLIANCE

08-02 –Excess Expenditures

Condition/Criteria: The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

Effect: In determining a violation, consideration is given to materiality and to whether Superiorland Library Cooperative has reasonable procedures in use to detect such violations. Superiorland Library Cooperative was found to be in violation of the legal and contractual provisions of Public Act 621 in the General Fund as follows:

<u>Line Item</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Life insurance	\$ -	\$ 210	\$ 210

08-02 –Excess Expenditures (Continued)

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: Superiorland Library Cooperative should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

Contact person(s) responsible for correction:

- Suzanne Dees, Director

Corrective action planned:

- Superiorland Library Cooperative plans to review budget to actual numbers so that appropriate changes can be made to the final budgets throughout the course of the year.

Anticipated completion date:

- September 30, 2009

This communication is intended solely for the information and use of management, the Executive Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 27, 2009